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A Classic Ponzi Scheme, FBI Agent Calls Rewald Firm

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An FBI accounting expert who spent months reconstructing the financial activity of Ronald Rewald's defunct investment company yesterday labeled the operation as "a classic Ponzi scheme."

Special Agent Glenn Martin tracked down almost every check written during the operation of Bishop, Baldwin, Rewald, Dillingham & Wong during an investigation that spanned several months.

Financial records from 81 different bank accounts had to be gathered, organized and analyzed. Where checks were not available, Martin obtained bank statements listing various transactions.

Under questioning by federal prosecutor Ted Greenberg, Martin yesterday used large color graphs and posters to show the jury how some \$22 million came into Rewald's company and went out.

ONE CHART showed how Rewald had to attract ever-increasing amounts of money in order to pay off early investors, keep up the facade of a thriving business and support an "extravagant" personal lifestyle.

Just before the company collapsed in July 1983, Rewald owed investors more than \$11 million — not including the interest — and had only \$506,107 in the bank, Martin said. In fact, while Rewald's debts grew to millions, the Bishop, Baldwin bank account usually hovered at around \$300,000.

Martin said that of the \$22 million investors put into the company, about \$10 million was paid back to investors, \$5.4 million was spent on company overhead, \$5 million was spent by Rewald, and \$287,000 went to women who had social or sexual relationships with Rewald.

MARTIN SAID he found no evidence that the CIA put in large amounts of money. Records showed that the CIA paid only about \$2,800 for telephone and telex expenses. He said that despite the large number of bank accounts, Rewald had no "secret stash" of money.

That was not surprising, however, Martin said, because even "Charles Ponzi himself did not keep a stash and died a pauper."

Charles Ponzi was an Italian immigrant after whom the term "Ponzi scheme" was coined. Ponzi moved in 1919 to Boston, where he attracted funds from investors with the promise of high interest returns. He paid off early investors with money put in by later ones.

A Ponzi scheme is doomed to collapse because it takes more and more money from new investors to keep the scheme going.

REWALD, who is on trial on 98 counts of fraud, perjury and tax evasion, claims that the CIA set up and ran his company.

A chart depicting the flow of money in and out of Rewald's company showed income and withdrawals peaked about every six months. The highest income peak occurred in May 1983, three months before the collapse, when investors put \$2.5 million in BBRD&W.

Rewald did have some \$600,000 "invested," Martin said, but not in any enterprises that made money.

Rewald's attorneys have their own financial experts going over the thousands of financial transactions. His attorneys were to begin questioning Martin about his computations today.